Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate report and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate report and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgement and agreement, by which they will also be bound.

VIBE SYNDICATE MANAGEMENT LTD

ANNUAL REPORT AND ACCOUNTS
31 DECEMBER 2020

SYNDICATE 5678

Annual Report and Accounts
For the year ended 31 December 2020

Contents

Directors and Administration
FOR THE YEAR ENDED 31 DECEMBER 2020

Managing Agent

Managing Agent
Vibe Syndicate Management Limited

Registered Office
New London House
2nd Floor
6 London Street
London
EC3R 7AD
www.vibesm.com

Registered Number
5957729

Directors

P N E Ceurvorst*	(resigned 31 March 2020)
P S Donovan	
P A Flamank*	
A Fridlyand*	
N G Kirk	
T J Leggett*	(Chairman)
S A Schaen*	
A E Williams	

* Non-Executive Director

Company Secretary

P E Box	(resigned 17 December 2020)
P Longville	(appointed 17 December 2020)

Syndicate

Auditors
Ernst & Young LLP

Report of the Directors
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors of Vibe Syndicate Management Limited (the Managing Agent) present their annual report and audited financial statements for the year ended 31 December 2020.

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS102"), Financial Reporting Standard 103, "Insurance Contracts" and the Companies Act 2006. Furthermore, these financial statements comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008").

The Managing Agent does not prepare separate underwriting year accounts on the three-year accounting basis in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), as the Syndicate has a single Corporate Member.

Results

The result for calendar year 2020 is a loss of £11.1m (2019 loss of £17.5m).

Principal Activity and Business of the Syndicate

In November 2019 it was announced that the Syndicate would cease underwriting with effect from 31 December 2019 and commence a planned orderly run-off. Prior to this the Syndicate was involved in the underwriting of general insurance and reinsurance business at Lloyd's.

The Syndicate trades with the Lloyd's ratings of A+ Standard & Poor's, AA- Fitch and A A.M. Best.

Management of the Syndicate

Vibe Syndicate Management Limited is the Managing Agent for the Syndicate. The Managing Agent is ultimately owned by Syndicate Holding Corp, a Puerto Rican based company.

On 23 December 2020 Vibe Syndicate Management Limited was sold to Randall & Quilter II Holdings Limited subject to regulatory approval.

Review of Financial Performance

The Syndicate's capacity for the 2019 year of account was £122.8m.

The key financial indicators for 2020 were as follows:

	2020 **£000**	**2019** **£000**
Gross written premium	28.0	178.8
Loss for the financial year	(11.1)	(17.5)
Net claims ratio	62%	70%
Net expense ratio (including commission)	57%	48%
Combined ratio	119%	118%

The net claims ratio and net expense ratio are calculated as net claims incurred and net operating expenses divided by net earned premium respectively. The combined ratio is the sum of the net claims and expense ratio.

Gross written premiums

Gross written premium has declined significantly from £178.8m to £28.0m as a result of the decision to enter run-off. The premium in 2020 relates mainly to facility business attaching to the 2019 year of account but incepting in 2020.

Claims incurred

The net loss ratio for the year was 62% (2019 : 70%). Claims incurred include the impact of estimated claims arising from the Covid 19 pandemic, being £7.0m net of reinsurance.

Other

Investment return in 2020 was £4.9m (2019: £5.5m). The reduction was mainly due to lower coupon interest of £3.5m (2019: £3.9m) and lower unrealised gains of £0.9m (2019: £1.2m).

Net operating expenses in 2020 were £48.2m (2019: £65.9m), with the decrease reflecting decreased premium.

Balance sheet

Syndicate assets decreased by £82.3m to £243.4m (2019: £325.7m) and total liabilities decreased by £70.4m to £279.0m (2019: £349.4m). These decreases are primarily due to the Syndicate being placed into run-off at the beginning of the year.

Principal Risks and Uncertainties

The Managing Agent has a Risk Management Function for the Syndicate with clear terms of reference from the Board of Directors, its Committees and the associated Executive Management Committees. The Board approves the risk management policies and meets regularly to approve commercial, regulatory and organisational requirements of such policies.

The Board reviews and approves its risk appetite annually.

The Risk Management Function has implemented a Board approved Risk Management Framework to enable the ongoing identification, assessment and management (mitigation, monitoring and reporting) of risks and is also responsible for producing the Syndicate's Own Risk and Solvency Assessment ('ORSA'); recommending the assessment to the Board for approval.

The principal risks and uncertainties facing the Syndicate are set out below:

Insurance Risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. The objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

Prior to entering run-off, the Board managed insurance risk by agreeing its appetite through the annual business plans, which set out targets for volumes, pricing, line sizes and retention by class of business. The Syndicate purchased reinsurance as part of its risk mitigation programme and aims to ensure that such protection extends to the run off of the liabilities. With the Syndicate going into run-off, the development and potential inadequacy of claims reserves is the key source of insurance risk. Reserve adequacy is monitored through quarterly review by the Actuarial function who report to the Audit and Risk Board Committee. The reserves are also subject to independent review through the annual test of sufficiency performed as part of the Lloyd's Statements of Actuarial Opinion.

Credit Risk

Credit risk relates to the risk of default on the settlement of balances receivable by the Syndicate. The Syndicate's reinsurers and intermediaries from which gross written premiums are sourced represent the principal sources of this risk. This risk is actively managed by the policies, procedures and controls overseen by the Executive Management Committees.

Liquidity Risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations due to a short term shortfall in available funds. In respect of catastrophic events there is a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries. This risk is mitigated by the liquid nature of the Syndicate's investment portfolio a number of processes are followed by the Agency to further mitigate against the risk of the Syndicate being unable to settle its obligations as they fall due.

Market Risk

The key aspect of market risk is that the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. Currency matching is reviewed by Management quarterly. Where there is a significant mismatch, the Agency seeks to mitigate the risk through buying or selling currency, where this is appropriate.

Interest Rate Risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The extent of any price fluctuation is driven by the portfolio duration. The investment portfolio duration is managed so to maintain a fairly short average duration period, principally due to current market conditions.

Financial instruments and risk management

Information on the use of financial instruments by the Syndicate and its management of financial risk and in particular its exposure to interest rate risk, currency risk, credit risk and liquidity risk is disclosed in note 22 to the financial statements.

Operational Risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. The Agency seeks to manage this risk through its governance structure and internal control framework and employs a structured programme of testing systems and controls which is carried out by the Internal Audit Function.

With the emergence of Covid 19 during the year and measures put in place to restrict the movement of people the company has successfully implemented its business continuity plan. It has also taken steps to keep staff safe by having them work from home and using all available technology to keep day-to day operations going. The directors continue to monitor the situation and take all appropriate steps to manage the impact on employees and other stakeholders.

Regulatory Risk

The Agency is required to comply with the requirements of the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency has a Compliance Function that monitors regulatory developments and assesses the impact on the Agency's policies. The compliance function reports regularly to the Board which has ultimate responsibility for ensuring compliance with applicable laws and regulations.

Conduct Risk

Conduct risk is the risk that the Syndicate fails to pay appropriate regard to the interest of its customers and/or fails to treat them fairly at all times. Conduct risk is managed through the application of strong internal controls, compliance policies and procedures, and through the monitoring of various conduct risk metrics.

Report of the Directors
FOR THE YEAR ENDED 31 DECEMBER 2020

Future Developments & Important Events since the end of the Financial Year

The Syndicate continues a planned and orderly run-off. The 2018 year of account will not reinsurance to close into the 2019 year of account in order to maintain flexibility during 2021. The Board will explore options to enable the reinsurance to close of open years of account.

Directors

Details of the Directors of the Managing Agent who served during the year and up to the date of signing of the Syndicate Annual Report and Accounts are provided on page 2 in Directors and Administration section.

Disclosure of Information to the Auditors

The Directors of the Managing Agent at the time the report is approved confirm that:

- So far as each of them is aware, there is no relevant audit information, being information needed by the Syndicate's auditor in connection with the auditor's report, of which the auditor is unaware; and
- Having made enquiries of fellow directors of the Managing Agency and the Syndicate's auditor, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Reappointment of Auditors

Pursuant to Section 14 (2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the Board

N G Kirk

CEO

3 March 2021

Statement of Managing Agent's Responsibilities
FOR THE YEAR ENDED 31 DECEMBER 2020

The Managing Agent is responsible for preparing the Syndicate annual report and accounts in accordance with applicable laws and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare Syndicate annual report and accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Syndicate annual reports and accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the Syndicate annual report and accounts, the Managing Agent is required to:

1. Select suitable accounting policies which are applied consistently;

2. Make judgements and estimates that are reasonable and prudent;

3. State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate annual accounts; and

4. Prepare the Syndicate annual report and accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The Managing Agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual report and accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' web site. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 5678
FOR THE YEAR ENDED 31 DECEMBER 2020

Opinion

We have audited the syndicate annual accounts of syndicate 5678 ('the syndicate') for the year ended 31 December 2020 which comprise the Income Statement, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the syndicate annual accounts, we have concluded that the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 5678
FOR THE YEAR ENDED 31 DECEMBER 2020

Other information

The other information comprises the information included in the Annual Report and Accounts other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the annual report.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- the managing agent's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the managing agent's report.

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agents' emoluments specified by law are not made; or

  we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 7, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations, related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of the Lloyd's of London, Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.

- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate Annual Accounts' items.

- For both direct and other laws and regulations, our procedures involved: making enquiry of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with Lloyd's, the FCA and the PRA.

- The Syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

- We assessed the susceptibility of the Syndicate's annual accounts to material misstatement, including how fraud might occur. We considered the controls that the managing agent has established that seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and their potential to influence management to manage earnings or influence the perceptions of stakeholders. This risk was considered to be higher within valuation of claims reserves (IBNR only).

Our audit procedures included:

- Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries we assessed if there were any indicators of management bias in the valuation of claims reserves (IBNR only).

- Evaluating the business rationale for significant and/or unusual transactions.

- Testing the appropriateness of journal entries recorded in the general ledger, particularly in respect of judgemental areas including the valuation of claims reserves (IBNR only) and valuation of claims reserves (IBNER).

In addition, we considered the impact of Covid-19 on the Syndicate, including an assessment of the consistency of operations and controls in place as they transitioned to operating remotely for a significant proportion of 2020, and making enquiries with management via the use of video conferencing. We performed analytical review procedures to assess for unusual movements throughout the year. Our audit procedures also incorporated unpredictability into the nature, timing and extent of our testing.

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ed Jervis (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

3 March 2021

Income Statement

TECHNICAL ACCOUNT – GENERAL BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Gross premiums written	**2**	**27,979**	178,842
Outward reinsurance premiums		**(9,782)**	(32,059)
Net written premiums		**18,197**	146,783
Change in the provision for unearned premiums			
Gross amount		**71,969**	(11,137)
Reinsurers' share		**(6,064)**	1,738
Change in the net provision for unearned premiums	**4**	**65,905**	(9,399)
Earned premiums, net of reinsurance		**84,102**	137,384
Allocated investment return transferred from the non-technical account		**3,473**	3,930
Claims paid			
Gross amount		**(60,780)**	(65,166)
Reinsurers' share		**10,206**	12,514
Net claims paid		**(50,574)**	(52,652)
Change in claims outstanding			
Gross amount		**(7,597)**	(46,638)
Reinsurers' share		**5,645**	3,000
Change in the net provision for claims		**(1,952)**	(43,638)
Claims incurred, net of reinsurance	**3**	**(52,526)**	(96,290)
Net operating expenses	**6**	**(48,218)**	(65,980)
Balance on the technical account – general business		**(13,169)**	(20,956)

All the amounts above are in respect of continuing operations.

There are no recognised gains or losses for the current and preceding year other than those included in the income statement above and therefore no statement of recognised gains and losses has been presented

Income Statement (continued)
NON - TECHNICAL ACCOUNT – GENERAL BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Balance on technical account – general business		**(13,169)**	(20,956)
Investment income	**10**	**4,182**	4,473
Unrealised gains on investments	**10**	**928**	1,225
Investment expenses and charges	**10**	**(199)**	(147)
		(8,258)	(15,405)
Allocated investment return transferred to general business technical account		**(3,473)**	(3,930)
Exchange gains		**606**	1,873
Loss for the financial year		**(11,125)**	(17,462)

Statement of Changes in Member's Balances'
FOR THE YEAR ENDED 31 DECEMBER 2020

	Due from members £000	Funds in Syndicate £000	**Total Member's Balances' £000**
At 1 January 2020	**(77,201)**	**53,508**	**(23,693)**
(Loss)/profit for the financial year	**(12,469)**	**1,344**	**(11,125)**
Member Expenses	**(3)**	**-**	**(3)**
Distribution to Funds in Syndicate	**31,917**	**(31,917)**	**-**
Revaluation of opening funds	**-**	**(784)**	**(784)**
At 31 December 2020	**(57,756)**	**22,151**	**(35,605)**
At 1 January 2019	(57,561)	36,652	(20,909)
(Loss)/profit for the financial year	(19,034)	1,572	(17,462)
Member Expenses	35	-	35
Distribution to Funds in Syndicate	(641)	641	-
Additional Funds in Syndicate	-	16,010	16,010
Revaluation of opening funds	-	(1,367)	(1,367)
At 31 December 2019	(77,201)	53,508	(23,693)

Statement of Financial Position

AS AT 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
ASSETS			
Investments			
Financial investments	**11**	**152,517**	178,449
Reinsurers' share of technical provisions			
Provision for unearned premium	**4**	**2,767**	8,776
Claims outstanding	**3**	**45,221**	40,425
		47,988	49,201
Debtors			
Debtors arising out of direct insurance operations	**12**	**7,073**	24,346
Debtors arising out of reinsurance operations	**13**	**18,430**	34,564
Other debtors		**12**	22
		25,515	58,932
Cash and other assets			
Cash at bank and in hand	**14**	**5,828**	10,058
Other assets	**15**	**9,969**	9,172
		15,797	19,230
Prepayment and accrued income			
Deferred acquisition costs	**5**	**1,617**	19,899
Total assets		**243,434**	325,711

Statement of Financial Position (continued)
AS AT 31 DECEMBER 2020

	Notes	2020	2019
		£000	£000
MEMBER'S BALANCE AND LIABILITIES			
Member's balances			
Member's balances		**(35,605)**	(23,693)
Liabilities			
Technical provisions			
Provision for unearned premium	**4**	**6,346**	76,699
Claims outstanding	**3**	**235,554**	232,824
		241,900	309,523
Creditors			
Creditors arising out of direct insurance operations	**16**	**736**	233
Creditors arising out of reinsurance operations	**16**	**21,079**	23,795
Other creditors	**17**	**15,151**	15,062
		36,966	39,090
Accruals and deferred income		**173**	791
Total liabilities		**279,039**	349,404
Total member's balances and liabilities		**243,434**	325,711

The financial statements on pages 12 to 46 were approved by the Board of Vibe Syndicate Management Limited on 2 March 2021 and were signed on its behalf by:

A E Williams
3 March 2021

Statement of Cash Flows
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Loss on ordinary activities		**(11,125)**	(17,462)
Movement in general insurance unearned premiums and outstanding claims		**(49,342)**	46,379
Movement in reinsurers' share of unearned premiums and outstanding claims		**557**	(3,204)
Investment return		**(4,911)**	(5,551)
Movements in other assets/liabilities		**28,345**	14,265
Net cash (outflow)/inflow from operating activities		**(36,476)**	34,427
Investing activities			
Investment income received		**3,396**	4,474
Purchases of debt and equity instruments		**(72,524)**	(112,169)
Sales of debt and equity instruments		**94,714**	61,914
Other		**5,257**	(148)
Net cash inflow/(outflow) from investing activities		**30,843**	(45,929)
Financing activities			
Collection of losses from/(Distribution of profits to members		**31,917**	(641)
Funds in Syndicate contributed by member		**(30,748)**	16,651
Net cash inflow from financing activities		**1,169**	16,010
(Decrease)/Increase in cash and cash equivalents		**(4,464)**	4,508
Cash and cash equivalents at 1 January		**10,069**	5,759
Exchange differences on opening balances		**253**	(198)
Cash and cash equivalents at 31 December		**5,858**	10,069
Cash and cash equivalents consists of:			
Cash at bank and in hand	**14**	**5,828**	10,058
Short term deposits with credit institutions		**30**	11
		5,858	10,069

1. Accounting policies

1.1 Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

1.2 Basis of preparation

The financial statements for the year ended 31 December 2020 were approved for issue by the Board of Directors on 2 March 2021.

The financial statements are prepared in sterling which is the functional and presentational currency of the Syndicate and rounded to the nearest £000.

As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

Having assessed the principal risks on liquidity, credit risk and operational risk for the syndicate, the directors have concluded that there are no material uncertainties that may cast significant doubt about the syndicate's financial ability to continue as a going concern and they have a reasonable expectation that the syndicate has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements, and accordingly these financial statements have been prepared on a going concern basis.

1.3 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the Syndicate's key sources of estimation uncertainty:

Insurance contract technical provisions

For insurance contracts, estimates of the claims provisions (referred to as Claims Outstanding in the accounts) comprise the expected cost of claims incurred and reported at the valuation date (outstanding claims), further development of these claims (incurred but not enough reported or IBNER) and those claims that have been incurred but not yet reported (IBNR) at the valuation date. IBNR and IBNER are commonly referred to collectively as IBNR. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The IBNER and IBNR provisions are estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. Where this assumption is not believed to hold, judgement has been applied to reflect the expected future outcome based on the latest information and expected future developments.

The provision for outstanding claims is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs.

1. Accounting policies (continued)

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset. Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Further details are given in Note 22.

Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Run-off provision

In arriving at the run-off provision, significant judgment is required to determine those costs which are committed in order to settle the claims of the syndicate. Some of those costs can be readily allocated to a claims handling provision, however, other costs, including contracts that are onerous, are indirectly required in order to support the broader operation of the business which, with the business in run-off, is to a significant extent all indirectly related to the settlement of claims. In order to quantify the additional provision over and above the claims handling provision, it has been necessary to make assumptions as to the length of the run-off period, the return on investments and the quantum of future expenses incurred and the restructuring costs. The ultimate cost of the run-off is dependent on future events and could be materially different from the amount provided and therefore the directors reassess the adequacy of the assumptions and the run-off provision annually.

The main assumptions underlying are:

- Expenses – committed planned run-off resourcing levels, systems and other expenses have been estimated based on expected activities at each point in the future.
- Underwriting profitability and return on investments – premium estimates associated with unexpired risk and facilities can be estimated from historical premium development. Additionally, historical claims and recovery experience can be used to determine the future claims and recovery associated with this premium. It is also assumed that past experience can be utilised in order to generate expected future cashflows from which future investment income is estimated.

1. Accounting policies (continued)

1.4 Significant accounting policies

Financial investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 – Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments.

The Syndicate classifies its financial investments as either financial assets at fair value through profit or loss, loans and receivables or available for sale. The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as fair value through profit or loss as the Syndicate's documented investment strategy is to manage financial investments acquired on a fair value basis. The available for sale category is used only in cases when the investments are passively managed, and the Syndicate held none of these at year end or the previous year.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss has two subcategories, namely financial assets held for trading and those designated at fair value through profit or loss at inception. All of the Syndicate's assets are held for trading. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Fair value of financial assets

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

See Note 11 for details of financial instruments classified by fair value hierarchy.

1. Accounting policies (continued)

Derecognition of financial assets

A financial asset is derecognised when the Syndicate has transferred all the risks and rewards of the asset.

Financial liabilities

The Syndicate's financial liabilities include trade and other payables, borrowings and insurance payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Trade and other payables and also loans and borrowings are subsequently measured at amortised cost using the effective interest method (EIR). Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in investment return in the profit or loss.

Derivative financial liabilities are subsequently measured at fair value through profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognised in profit or loss.

Investment return

Unrealised and realised gains and losses on financial investments are recognised based on the appropriate classification of financial investments and are covered in detail under the accounting policy for financial investments.

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated member's balance is made from the non-technical account to the technical account. Investment return related to non-insurance business and member's balance is attributed to the non-technical account.

Insurance contracts

Insurance contracts are those contracts when the Syndicate (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholders. As a general guideline, the Syndicate determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with IAS 39 unless the embedded derivative is itself an insurance contract (i.e., the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

1. Accounting policies (continued)

Gross written premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Additional or return premiums are treated as a re-measurement of the initial premium. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

Under some policies, written premiums are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is deferred until the additional amount can be ascertained with reasonable certainty. Where written premiums are subject to a reduction, a re-measurement taking account of such a reduction is made as soon as there is an obligation to the policyholder.

Outward reinsurance premiums

Outward reinsurance written premiums comprise the total premiums payable for the whole cover provided by contracts entered into in the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Under some policies, outward reinsurance premiums payable are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where these premiums are subject to an increase retrospectively, recognition of any potential increase is made as soon as there is an obligation to the reinsurer. Outwards reinsurance premiums are accounted for and earned in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Technical provisions

Technical provisions comprise claims outstanding and provisions for unearned premiums.

Claims outstanding

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

1. Accounting policies (continued)

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unexpired risks

A liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, is expected to exceed the provision for unearned premiums, net of deferred acquisition costs.

The assessment of whether a provision is necessary is made by considering separately each category of business on the basis of information available at the reporting date, after offsetting surpluses and deficits arising on products which are managed together. Investment income is taken into account in calculating the provision.

At 31 December 2020 and 31 December 2019, the Syndicate did not have an unexpired risks provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the administrative expenses connected with the processing of proposals and the issuing of policies.

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period, but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer’s policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2020 or 2019.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

1. Accounting policies (continued)

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the EIR. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currencies

The Syndicate's functional currency and presentational currency is Sterling.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items denominated in a foreign currency, measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Exchange differences are recorded in the non-technical account.

Taxation

Under schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic-rate income tax from trading income. In addition, all UK basic-rate income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to the member or their member's agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate are included in the statement of financial position under the heading 'Member's Balances'.

No provision has been made for any overseas tax payable by members on underwriting results.

Administrative expenses

Administrative expenses are taken into account on an accrual basis. The Managing Agency outsources its operations to a Service Company which operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

1. Accounting policies (continued)

Run-off provision

Provisions are recognised when the Syndicate has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A run-off provision representing a provision for running off all years of account is based on the managing agent's estimate of the likely costs involved. Other than future claims handling costs, which are provided for in the claims outstanding provision, the managing agent has estimated expected future costs based on committed restructuring costs and onerous contracts. This expected future cost is offset by expected future underwriting profits and investment income and is discounted to present value using a discount rate that appropriately reflects management's current assessment of the time value of money and risks specific to the run-off provision.

The assessment is made based on the information available at the reporting date. The managing agent reviews the run-off provision at each reporting date and adjusts to reflect current best estimate of the amount that would be required to settle the obligation at that reporting date.

2. Segmental Analysis

An analysis of the underwriting result before investment return and other income is set out below:

2020	**Gross Written Premiums**	**Gross Earned Premiums**	**Gross Claims Incurred**	**Gross Operating Expenses**	**Reinsurance balance**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Direct Insurance						
Accident and Health	**3,564**	**6,295**	**(3,982)**	**(3,658)**	**729**	**(616)**
Aviation	**(12)**	**(12)**	**1**	**6**	**175**	**170**
Fire and other damage to property	**1,874**	**5,852**	**(4,036)**	**(3,052)**	**(1,042)**	**(2,278)**
Marine	**(71)**	**(57)**	**(47)**	**29**	**157**	**82**
Motor (other classes)	**2**	**3**	**31**	**(2)**	**19**	**51**
Energy Marine	**-**	**-**	**-**	**-**	**215**	**215**
Energy Non-Marine	**-**	**-**	**-**	**-**	**96**	**96**
Motor (third party liability)	**-**	**-**	**(2)**	**-**	**-**	**(2)**
Pecuniary loss	**(2,944)**	**2,148**	**(6,515)**	**(1,102)**	**160**	**(5,309)**
Third party liability	**26,388**	**58,950**	**(29,336)**	**(28,659)**	**(482)**	**473**
Transport	**3**	**16**	**(53)**	**(8)**	**(14)**	**(59)**
	28,804	**73,195**	**(43,939)**	**(36,446)**	**13**	**(7,177)**
Reinsurance	**(825)**	**26,753**	**(24,438)**	**(11,772)**	**(8)**	**(9,465)**
Total	**27,979**	**99,948**	**(68,377)**	**(48,218)**	**5**	**(16,642)**

As detailed in note 23 the impact of the Part VII transfer to Lloyd's Brussels has not been reflected above.

2019	Gross Written Premiums	Gross Earned Premiums	Gross Claims Incurred	Gross Operating Expenses	Reinsurance balance	Total
	£000	£000	£000	£000	£000	£000
Direct Insurance						
Accident and Health	7,369	6,807	(2,876)	(3,692)	(946)	(707)
Aviation	-	4	-	(2)	-	2
Fire and other damage to property	11,819	14,949	(15,978)	(6,378)	(3,455)	(10,862)
Marine	144	146	(42)	(66)	(9)	29
Motor (other classes)	4	4	(9)	(2)	3	(4)
Motor (third party liability)	2	1	16	-	(3)	14
Pecuniary loss	10,259	7,683	(4,780)	(2,907)	1,175	1,171
Third party liability	79,581	71,351	(38,502)	(28,737)	(6,616)	(2,504)
Transport	49	40	10	(18)	(55)	(23)
	109,227	100,985	(62,161)	(41,802)	(9,906)	(12,884)
Reinsurance	69,615	66,720	(49,643)	(24,178)	(4,901)	(12,002)
Total	178,842	167,705	(111,804)	(65,980)	(14,807)	(24,886)

Commissions on direct insurance gross premiums earned during 2020 were £10,089k (2019: £28,635k).

All premiums were concluded in the UK.

2. Segmental Analysis (continued)

The geographical analysis of gross premiums by risk is as follows:

	2020	2019
	£000	£000
UK	**6,597**	58,261
Other EU countries	**353**	4,124
US	**14,443**	93,762
Other	**6,586**	22,695
	27,979	178,842

3. Claims outstanding

2020	**Gross**	**Reinsurer's Share**	**Net**
	£000	**£000**	**£000**
At 1 January 2020	**232,824**	**(40,425)**	**192,399**
Claims incurred	**68,377**	**(15,851)**	**52,526**
Claims paid during the year	**(60,780)**	**10,206**	**(50,574)**
Foreign exchange	**(4,867)**	**849**	**(4,018)**
At 31 December 2020	**235,554**	**(45,221)**	**190,333**

2019	Gross	Reinsurer's Share	Net
	£000	£000	£000
At 1 January 2019	192,988	(38,576)	154,412
Claims incurred in current underwriting year	45,476	(9,584)	35,892
Claims incurred in prior underwriting year	66,328	(5,930)	60,398
Claims paid during the year	(65,166)	12,514	(52,651)
Foreign exchange	(6,802)	1,151	(5,652)
At 31 December 2019	232,824	(40,425)	192.399

4. Provision for unearned premium

2020	Gross	Reinsurer's Share	Net
	£000	**£000**	**£000**
At 1 January 2020	**76,699**	**(8,776)**	**67,923**
Premiums written in the year	**27,979**	**(9,782)**	**18,197**
Premiums earned in the year	**(99,948)**	**15,846**	**(84,102)**
Foreign exchange	**1,616**	**(55)**	**1,561**
At 31 December 2020	**6,346**	**(2,767)**	**3,579**

2019	Gross	Reinsurer's Share	Net
	£000	**£000**	**£000**
At 1 January 2019	67,960	(7,301)	60,659
Premiums written in the year	178,842	(32,059)	146,783
Premiums earned in the year	(167,705)	30,321	(137,384)
Foreign exchange	(2,398)	263	(2,135)
At 31 December 2019	76,699	(8,776)	67,923

5. Deferred acquisition costs

	2020	2019
	£000	£000
At 1 January	**19,899**	17,703
Change in deferred acquisition costs	**(17,982)**	2,614
Foreign exchange	**(300)**	(418)
At 31 December	**1,617**	19,899

6. Net Operating Expenses

	2020 £000	2019 £000
Acquisition costs	**10,494**	46,461
Change in deferred acquisition costs	**17,982**	(2,614)
	28,476	43,847
Administrative expenses	**19,742**	22,133
	48,218	65,980

Member's standard personal expenses of £100k (2019: £1,417k) are included within administrative expenses. Member's standard personal expenses include Lloyd's subscriptions, central fund contributions and managing agents fees.

7. Auditors' Remuneration

	2020 £000	2019 £000
Audit of syndicate annual accounts	**272**	230
Audit related assurance services	**118**	147
	390	377

Auditors' remuneration is included as part of the administrative expenses in note 6 to the financial statements.

Audit related assurance service relate to the statement of actuarial opinion submitted to Lloyd's and various Lloyd's returns.

8. Staff Costs

There were no staff employed by the Syndicate or Managing Agency.

Recharges from Vibe Services Management Ltd, a wholly owned subsidiary of Syndicate Holding Corp and recharged to the Syndicate in respect of staff costs were as follows:

	2020 £000	2019 £000
Wages & salaries	**5,127**	9,445
Social security and pension costs	**1,029**	2,141

The average number of employees employed by Vibe Services Management Ltd but working for the Syndicate during the year was as follows:

	2020 No.	2019 No.
Claims	**8**	7
Administration, finance & management	**27**	38
Underwriting	**1**	27
Reinsurance	**2**	2
IT	**6**	8
Operations	**6**	9
Risk Management	**1**	2
	51	93

9. Emoluments of the Directors of Vibe Syndicate Management Limited

The directors of Vibe Syndicate Management Limited (Vibe SML) are paid by Vibe Services Management Ltd and a proportion of their remuneration is charged to the Syndicate and included within net operating expenses:

	2020	2019
	£000	£000
Aggregate remuneration of Executive Directors	**1,233**	2,142
Aggregate remuneration of Non-Executive Directors	**103**	153

The active underwriter received the following remuneration including severance charged as a Syndicate expense:

	2020	2019
	£000	£000
Emoluments	**-**	1,115

No advances or credits granted by the managing agent to any of its directors subsisted during the year.

10. Investment Return

	2020	2019
	£000	£000
Income from other financial investments	**3,544**	3,928
Net gains/(losses) on realisation of investments		
Fair value through profit or loss designated upon initial recognition	**638**	545
Total investment income	**4,182**	4,473
Net unrealised gains on investments		
Financial instruments at fair value through profit and loss	**928**	1,225
Investment expenses and charges	**(199)**	(147)
Total investment return	**4,911**	5,551

11. Financial Investments

	2020		
	Carrying value	**Purchase price**	**Listed**
	£000	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	**13,646**	**13,641**	**13,159**
Debt securities and other fixed income securities designated at fair value through profit or loss	**136,653**	**134,188**	**136,653**
Loans and deposits with credit institutions	**2,218**	**2,218**	**-**
	152,517	**150,047**	**149,812**

	2019		
	Carrying value	Purchase price	Listed
	£000	£000	£000
Shares and other variable yield securities and units in unit trusts	14,342	14,342	14,342
Debt securities and other fixed income securities designated at fair value through profit or loss	161,120	159,943	161,120
Deposits with credit institutions	2,987	2,987	-
	178,449	177,272	175,462

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy:

	Level 1	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
31 December 2020				
Shares and other variable yield securities and units in unit trusts	**13,159**	**-**	**487**	**13,646**
Debt securities and other fixed income securities includes loans and deposits	**-**	**136,653**	**-**	**136,653**
Loans and deposits with credit institutions	**2,218**	**-**	**-**	**2,218**
	15,377	**136,653**	**487**	**152,517**
31 December 2019				
Shares and other variable yield securities and units in unit trusts	14,342	-	495	14,837
Debt securities and other fixed income securities includes loans and deposits	-	161,120	-	161,120
Loans and deposits with credit institutions	2,492	-	-	2,492
	16,834	161,120	495	178,449

11. Financial Investments (continued)

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions.

Level 3 category are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. At year end 2019 and 2020 these represent the loan to the Lloyd's Central Fund. No further Level 3 disclosure is provided on the grounds of materiality.

12. Debtors arising out of direct insurance operations

	2020	2019
	£000	£000
Due from intermediaries	**7,073**	24,346

13. Debtors arising out of reinsurance operations

	2020	2019
	£000	£000
Due from ceding insurers and intermediaries under reinsurance business	**10,479**	29,523
Due from reinsurers and intermediaries under reinsurance contracts ceded	**7,951**	5,041
	18,430	34,564

14. Cash at bank and in hand

	2020	2019
	£000	£000
Cash at bank	**5,828**	10,058

15. Other Assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

	2020	2019
	£000	£000
Overseas deposits	**9,969**	9,172

16. Creditors

	2020	2019
	£000	£000
Creditors arising out of direct insurance operations		
Due to intermediaries within one year	**736**	233
Creditors arising out of reinsurance operations		
Reinsurance ceded	**20,131**	23,060
Reinsurance accepted	**948**	735
	21,079	23,795

17. Other Creditors

	2020	2019
	£000	£000
Run-off provision (Note18)	**13,579**	4,254
Amounts owed to Vibe Services Management Ltd	**1,327**	10,635
Taxation	**218**	173
Sundry creditor	**27**	-
	15,151	15,062

18. Run-off Provision

	2020	2019
	£000	£000
Undiscounted		
Net underwriting (loss)/profit	**(1,717)**	15,596
Expenses	**(15,902)**	(33,676)
Investment income	**3,684**	13,520
	(13,935)	(4,560)
Run-off provision (discounted expected future losses)	**13,579**	4,254

A run-off cost provision of £13.6m has been provided at 31 December 2020. This represented a provision for running off all years of account and was based on the managing agent's estimate of the likely costs involved.

Net underwriting loss/profit has been estimated based on insurance contracts that were either in place at year end or estimated to be written after year end as part of a facility that was in place at year end.

Expenses are the anticipated committed costs other than those allocated to claims handling provision, including contracts that are onerous, required to support the run-off of the syndicate.

The projected investment return has been based on applying expected yields on investments resulting from forecast future cashflows.

19. Related Parties

Vibe Syndicate Management Limited (Vibe SML) is a wholly owned subsidiary of Vibe UK Holdings Ltd. Managing agency fees of £0.1m (2019: £0.1m) were paid by the Syndicate to Vibe SML

Vibe Services Management Limited is a wholly owned subsidiary of Vibe UK Holdings Ltd. It provides management services to Vibe SML and the Syndicate. Expenses of £10.3m (2019: £22.1m), of which £0m (2019: £4.6m) relates to acquisition costs, were recharged to the Syndicate from Vibe Services Management Limited.

Both Vibe SML and Vibe Services Management Limited were sold subject to regulatory approval to Randall & Quilter II Holdings on 23 December 2020.

Syndicate Re A.I., a company registered in Puerto Rico is the immediate parent company of Vibe UK Holdings Ltd and is 100% owned by Syndicate Holding Corp, (the ultimate controlling party), a company also registered in Puerto Rico.

20. Funds at Lloyd's and Funds in Syndicate

(a) Funds at Lloyd's

Members are required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating member's underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority requirements and resource criteria. FAL required has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

(b) Funds in Syndicate

During the year, the Funds in Syndicate (FIS) which fall under the management of the managing agent, decreased by £31.3m to £22.2m. These accounts incorporate assets held and the investment return achieved on the FIS.

21. Off-balance sheet items

The Syndicate has not been party to any arrangement, which is not reflected in its balance sheet, where material risks and benefits arise for the Syndicate.

22. Risk Management

(a) Governance framework

The primary objective of the Syndicate's risk management framework is to protect the Syndicate's member from events that hinder the sustainable achievement of objectives, including failing to exploit opportunities. Management recognises the critical importance of having efficient and effective risk management systems in place.

The Managing Agent has established a risk management function and governance arrangements for the Syndicate with clear terms of reference from the board of directors to its committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to committees and senior managers.

Lastly, a Syndicate risk appetite framework and associated policies which set out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate.

22. Risk Management (continued)

The board of directors approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies and associated strategy and business plans to ensure that they remain aligned. The Syndicate regularly undertakes an Own Risk and Solvency Assessment (ORSA) which is reviewed and approved by the board.

(b) Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

Within the supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements, and beyond that to meet its own financial strength, license and ratings objectives.

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level.

Lloyd's capital setting process

Each Syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each Syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A Syndicate may be comprised of one or more underwriting members of Lloyd's. The Syndicate only has one underwriting member whose SCR is determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. The SCR reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2020 was 35% of the member's SCR 'to ultimate'. A further capital uplift of 10% is applied for inactive members (members of only run-off syndicates).

As these capital requirements apply to the members rather than the Syndicate the capital requirement of the one member of Syndicate 5678 is not disclosed in these financial statements, nor is the level of capital put in place by the member or whether that capital meets the Lloyd's requirement.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), held within and managed within a Syndicate (Funds in Syndicate) or as the member's share of the member's balances on each Syndicate on which it participates.

Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member's balances reported on the statement of financial position on page 14, represent resources available to meet the member's and Lloyd's capital requirements.

(c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

22. Risk Management (continued)

The Syndicate purchases reinsurance as part of its risks mitigation programme in respect of the business. Reinsurance ceded is a mixture of quota share and excess of loss reinsurance designed to mitigate the Syndicate's net exposure to catastrophe and large losses. Retention limits for the excess of loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Syndicate has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor is the Syndicate substantially dependent upon any single reinsurance contract.

Prior to entering run-off the Syndicate principally issued the following types of general insurance and reinsurance contracts: accident and health, casualty treaty, credit, surety, political risk & terror, financial institutions, North American specialty programs, professional indemnity, property direct and facultative and property treaty. Risks usually cover twelve months duration.

The most significant risk is the potential for deterioration in the claims reserves due to adverse trends in the frequency or size of claims, including the impact of inflation especially in longer tail classes..

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks was improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Syndicate. The Syndicate further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Syndicate has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage) and large losses.

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes and large losses based on the Syndicate's risk appetite as decided by the Board.

The Syndicate has used risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising for various realistic disaster scenarios based on the Syndicate's average risk exposures during 2020.

22. Risk Management (continued)

Average Risk Exposures during 2020

Scenario £m	Average Gross RDS	Average Net RDS
Cyber – Major Security Breach	**35.2**	**4.7**
Japanese Earthquake - Based on 1923 Great Kanto Earthquake	**25.2**	**4.3**
California Earthquake - San Francisco	**21.4**	**3.6**
California Earthquake - Los Angeles	**20.2**	**3.6**
New Madrid Earthquake	**17.2**	**3.6**
Terrorism - Rockefeller Center	**15.4**	**3.3**
Terrorism - One World Trade Center	**15.4**	**3.3**
Gulf of Mexico Windstorm - Major Hurricane landing in Galveston, Texas	**15.4**	**2.1**
Florida Windstorm – Pinellas	**19.3**	**2.1**
Florida Windstorm – Miami Dade	**22.5**	**2.1**

Average Risk Exposures during 2019

Scenario £m	Average Gross RDS	Average Net RDS
San Francisco Earthquake	60.5	5.6
Cyber – Major Security Breach	55.3	19.6
Los Angeles Earthquake	55.2	5.6
Terrorism – One World Trade Center	44.5	13.8
Florida Windstorm – Pinellas	37.3	3.7
Florida Windstorm – Miami Dade	34.0	3.7
Two Events – Carolinas Windstorm	30.7	3.6
Terrorism - Rockefeller Center	27.3	3.6
Madrid Earthquake	23.4	5.5
Japanese Earthquake	18.9	3.5

22. Risk Management (continued)

The table below sets out the concentration of outstanding claim liabilities by type of contract for 2020:

£000	**Gross Liabilities**	**Reinsurance of Liabilities**	**Net liabilities**
Accident & Health	**11,134**	**1,498**	**9,636**
Aviation	**3**	**0**	**3**
Energy – non marine	**56**	**21**	**35**
Fire and other property damage	**8,660**	**1,575**	**7,085**
Marine	**528**	**56**	**472**
Motor (other classes)	**253**	**23**	**230**
Motor (third party liability)	**145**	**1**	**144**
Pecuniary loss	**8,465**	**2,601**	**5,864**
Third Party liability	**109,192**	**24,008**	**85,184**
Transport	**145**	**18**	**127**
Reinsurance Acceptance	**96,973**	**15,420**	**81,553**
Total	**235,554**	**45,221**	**190,333**

The table below sets out the concentration of outstanding claim liabilities by type of contract for 2019:

£000	Gross Liabilities	Reinsurance of Liabilities	Net liabilities
Accident & Health	13,216	1,721	11,495
Aviation	5	0	5
Energy – non marine	58	22	36
Fire and other property damage	12,464	2,662	9,802
Marine	525	41	484
Motor (other classes)	296	24	272
Motor (third party liability)	138	0	138
Pecuniary loss	5,366	1,784	3,582
Third Party liability	98,528	19,080	79,448
Transport	91	20	71
Reinsurance Acceptance	102,137	15,071	87,066
Total	232,824	40,425	192,399

All of the business is written in the UK.

22. Risk Management (continued)

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example once–off occurrence, changes in market factors such as public attitude to claiming, economic conditions as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with everything else held constant, showing the impact on gross and net liabilities, profit and member's balances. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in them, assumptions had to be changed on an individual basis. It should be noted that movements in assumptions are non-linear.

31 December 2020	**Change in assumptions**	**Impact on gross liabilities**	**Impact on net liabilities**	**Impact on profit**	**Impact on member's balance**
		£000's	**£000's**	**£000's**	**£000's**
Average claim cost	**+ 10% severity**	**23,555**	**19,033**	**(19,033)**	**(19,033)**
Average number of claims	**+ 10% frequency**	**23,555**	**19,033**	**(19,033)**	**(19,033)**
Average claim settlement period	**6 month reduction in settlement period**	**(28,950)**	**(28,950)**	**2**	**2**

31 December 2019	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit	Impact on member's balance
		£000's	£000's	£000's	£000's
Average claim cost	+ 10% severity	23,282	19,240	(19,240)	(19,240)
Average number of claims	+ 10% frequency	23,282	19,240	(19,240)	(19,240)
Average claim settlement period	6 month reduction in settlement period	(25,759)	(25,759)	(80)	(80)

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

22. Risk Management (continued)

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to sterling at the rate of exchange that applied at the end of the underwriting year. The impact of exchange differences is shown at the bottom of the table.

In setting claims provisions the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

Claims incurred during the year, net of reinsurance, include favourable prior year development of £2.1m (2019: £1.5m adverse development).

Gross insurance contract outstanding claims provision as at 31 December 2020

2020 Gross **£000**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Estimate of cumulative claims incurred at end of underwriting year	923	5,816	18,858	67,566	41,708	43,522	
12 months later	2,218	11,764	35,524	103,891	94,847	108,770	
24 months later	2,998	12,713	32,934	114,168	98,873		
36 months later	2,376	11,113	35,085	111,240			
48 months later	1,727	12,478	33,877				
60 months later	1,632	13,603					
72 months later	1,708						
Current estimate of cumulative claims incurred	1,708	13,603	33,877	111,240	98,873	108,770	368,071
Less: gross claims paid	1,511	6,836	23,487	80,405	46,769	21,217	180,225
Gross outstanding claims – 2011-2020	**197**	**6,767**	**10,390**	**30,835**	**52,104**	**87,553**	**187,846**
Gross outstanding claims – 2010 & prior							**47,708**
							235,554

22. Risk Management (continued)

2020 Net

£000	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Estimate of cumulative claims incurred at end of underwriting year	738	4,715	16,381	46,803	34,828	34,234	
12 months later	2,031	11,182	31,252	80,276	79,531	82,111	
24 months later	2,884	12,120	29,564	90,557	83,900		
36 months later	2,228	10,869	31,752	88,465			
48 months later	1,692	11,137	31,030				
60 months later	1,624	12,328					
72 months later	1,707						
Current estimate of cumulative claims incurred	1,707	12,328	31,030	88,465	83,900	82,111	299,541
Less: net claims paid	1,511	6,836	20,942	61,302	40,011	16,767	147,369
Net outstanding claims – 2011-2020	**196**	**5,492**	**10,088**	**27,163**	**43,889**	**65,344**	**152,172**
Net outstanding claims – 2010 & prior							**38,161**
							190,333

Years of account 2011 to 2013 and 2020 have not been presented above as the Syndicate did not participate on these years of account.

22. Risk Management (continued)

(d) Financial risk

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the Syndicate Audit and Risk Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or Syndicate of counterparties, geographical and industry segment (i.e., limits are set for investments and cash deposits, exposures from open positions in derivatives and minimum credit ratings for investments that may be held).
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and ascertaining suitable allowance for impairment.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the Statement of Financial Position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements.

31 December 2020	Neither past due nor impaired	Past Due	Impaired	Total
	£'000	£'000	£'000	£'000
Shares and other variable yield securities and unit trusts	13,646	-	-	13,646
Debt securities	136,653	-	-	136,653
Loans and deposits with credit institutions	2,218	-	-	2,218
Overseas deposits	9,969	-	-	9,969
Reinsurer' share of claims outstanding	45,221	-	-	45,221
Reinsurance debtors	6,044	1,907	-	7,951
Cash at bank and in hand	5,828	-	-	5,828
Insurance debtors	6,128	945	-	7,073
Other debtors	13,404	1,471	-	14,875
Total credit risk	239,111	4,323	-	243,434

22. Risk Management (continued)

31 December 2019	Neither past due nor impaired £'000	Past Due £'000	Impaired £'000	Total £'000
Shares and other variable yield securities and unit trusts	14,342	-	-	14,342
Debt securities	161,120	-	-	161,120
Loans and deposits with credit institutions	2,987	-	-	2,987
Overseas deposits	9,172	-	-	9,172
Reinsurer' share of claims outstanding	40,425	-	-	40,425
Reinsurance debtors	2,882	2,159	-	5,041
Cash at bank and in hand	10,058	-	-	10,058
Insurance debtors	21,378	2,968	-	24,346
Other debtors	53,975	4,245	-	58,220
Total credit risk	316,339	9,372	-	325,711

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2020 by classifying assets according to Standard & Poor's credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

31 December 2020	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Shares and other variable yield securities and unit trusts	**3,430**	**1,273**	**8,311**	**-**	**-**	**632**	**13,646**
Debt securities	**17,163**	**49,376**	**55,584**	**14,183**	**347**	**-**	**136,653**
Loans and deposits with credit institutions	**-**	**-**	**2,218**	**-**	**-**	**-**	**2,218**
Overseas deposits	**3,716**	**840**	**1,961**	**603**	**856**	**1,993**	**9,969**
Reinsurer' share of claims outstanding	**-**	**13,071**	**30,391**	**148**	**1**	**1,610**	**45,221**
Reinsurance debtors	**-**	**-**	**6,044**	**-**	**-**	**-**	**6,044**
Cash at bank and in hand	**-**	**-**	**5,828**	**-**	**-**	**-**	**5,828**
Total credit risk	**24,309**	**64,560**	**110,337**	**14,934**	**1,204**	**4,235**	**219,579**

22. Risk Management (continued)

31 December 2019	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Shares and other variable yield securities and unit trusts	4,543	1,182	7,806	-	-	811	14,342
Debt securities	17,087	65,322	66,143	12,221	347	-	161,120
Loans and deposits with credit institutions	-	-	2,987	-	-	-	2,987
Overseas deposits	4,435	866	962	580	611	1,718	9,172
Reinsurer' share of claims outstanding	-	10,361	28,231	155	1	1,677	40,425
Reinsurance debtors	-	-	2,882	-	-	-	2,882
Cash at bank and in hand	-	-	10,058	-	-	-	10,058
Total credit risk	26,065	77,731	119,069	12,956	959	4,206	240,986

Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories. The attributable risk ratings are assessed and updated regularly.

During the year, no credit exposure limits were exceeded. The Syndicate actively manages its product mix to ensure that there is no significant concentration of credit risk.

(2) Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Syndicate's exposure to liquidity risk:

- A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the Audit and Risk Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines on asset allocation, portfolio limit structures and maturity profiles of assets are set, in order to ensure that sufficient funding is available to meet insurance and investment contracts obligations.
- Contingency funding plans are set to meet emergency funding in the event of a large demand on cash.

22. Risk Management (continued)

Maturity profiles

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2020	**No stated maturity**	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Claims outstanding	**-**	**63,055**	**81,494**	**48,984**	**42,021**	**235,554**
Creditors	**-**	**15,699**	**3,424**	**9,217**	**8,626**	**36,966**
Total credit risk	**-**	**78,754**	**84,918**	**58,201**	**50,647**	**272,520**

31 December 2019	No stated maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Claims outstanding	-	58,742	74,553	44,465	55,064	232,824
Creditors	-	34,836	1,259	2,995	-	39,090
Total credit risk	-	93,578	75,812	47,460	55,064	271,914

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- Currency risk;
- Interest rate risk; and
- Equity price risk (there are no equity instruments in the portfolio).

The following policies and procedures are in place to mitigate the exposure to market risk:

- An investment policy exists that sets out the assessment and determination of what constitutes market risk for the Syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the Audit and Risk Committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Strict control over derivative instruments (there are no derivative contracts).

22. Risk Management (continued)

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Syndicate's functional currency is Sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, US and Canadian dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

31 December 2020	**GBP**	**USD**	**EUR**	**CAD**	**AUD**	**JPY**	**Total**
Converted £'000							
Total assets	**20,632**	**179,236**	**10,206**	**19,225**	**6,199**	**7,936**	**243,434**
Total liabilities	**(68,786)**	**(174,423)**	**(9,151)**	**(11,634)**	**(7,323)**	**(7,722)**	**(279,039)**
Net Assets	**(48,154)**	**4,813**	**1,055**	**7,591**	**(1,124)**	**214**	**(35,605)**

31 December 2019	GBP	USD	EUR	CAD	AUD	JPY	Total
Converted £'000							
Total assets	31,893	246,682	12,983	18,984	7,554	7,615	325,711
Total liabilities	(78,266)	(229,138)	(11,623)	(11,480)	(7,512)	(11,385)	(349,404)
Net Assets	(46,373)	17,544	1,360	7,504	42	(3,770)	(23,693)

The non-Sterling denominated net assets of the Syndicate may lead to a reported loss (depending on the mix relative to the liabilities), should Sterling strengthen against these currencies. Conversely, reported gains may arise should Sterling weaken.

The Syndicate seeks to match its currency position so holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate, against variation in foreign exchange rates. As a result, the Syndicate holds a significant proportion of its assets in foreign currency investments.

Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US dollar, Canadian dollar and Euro simultaneously. The analysis is based on the information as at 31st December 2020.

Impact on profit and member's balances

	2020	2019
Sterling weakens	**£'000**	£'000
10% against other currencies	**1,394**	2,520
20% against other currencies	**3,137**	5,670
Sterling strengthens		
10% against other currencies	**(1,141)**	(2,062)
20% against other currencies	**(2,091)**	(3,780)

22. Risk Management (continued)

(b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and member's balances of the effects of changes in interest rates on fixed rate financial assets and liabilities.

Impact on profit and member's balances

Changes in variables	2020 £'000	2019 £'000
+ 50 basis points on result	**(1,022)**	(1,691)
- 50 basis points on result	**1,022**	1,691

The method used for deriving sensitivity information and significant variables did not change from the previous period.

23. Part VII transfer to Lloyd's Brussels

On 30 December 2020, the Members of the Syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of $9.9m. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of $9.9m. The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there is no impact on the Syndicate's income statement or balance sheet.

Current year underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020, and in line with Society of Lloyd's guidance no movements were processed on these policies on 31 December 2020. In future years, results relating to these risks will be reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels.